Weekly Economic Review

Inflation rate holds steady

Consumer Price Index

Shelter costs drive inflation

The Consumer Price Index in Alberta rose 2.6% in August over the same month last year, roughly unchanged from July's 2.5% reading. Headline inflation has remained above 2% for seven months so far in 2014 (Chart 1). Shelter costs remained a key driver of headline inflation, increasing 3.6% y/y in August. In particular, rent, home & mortgage insurance, and energy costs were up sharply. Higher transportation costs, pushed up by gasoline, car prices and insurance premiums, also drove August's inflation rate higher. Food inflation grew at the slowest pace since February despite continued strength in meat prices. Nationally, inflation was 2.1% in August, roughly inline with the Bank of Canada's target rate.

Manufacturing Sales

Sales edge down from June record

Sales of manufactured products slipped 0.8% in July, partly reversing June's 5.4% surge, which marked the first time sales surpassed their pre-recssion peak. Despite July's drop, manufacturing sales are 10.1% above July 2013. Petroleum and coal sales growth slowed to 10.6% y/y in July after three straight months of growth over 20%, while machinery sales grew by 15.1% y/y. Food manufacturing sales also posted a strong gain of 12.9% y/y.

Nationally, manufacturing sales surged by 8.2% y/y to $53.7 billion, surpassing the pre-recession peak in July 2008. Growth was led by transportation equipment and primary metal sales. Year-over-year growth in sales has accelerated in every month so far this year (Chart 2).

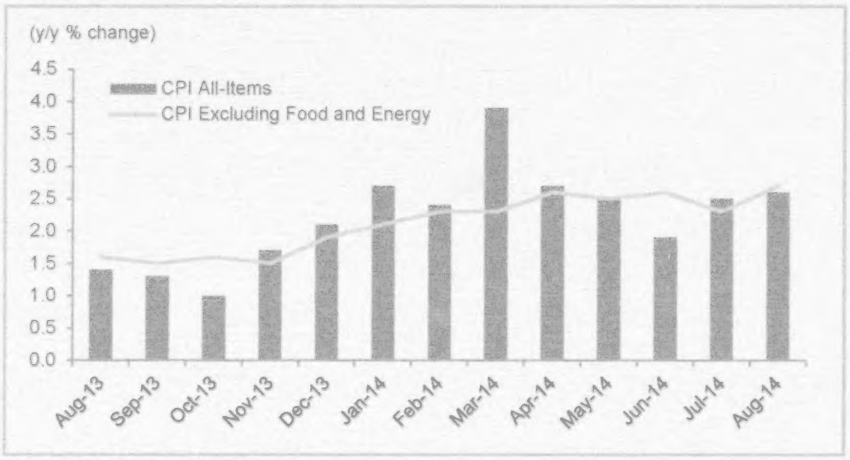
New Motor Vehicle Sales

Sales of trucks and SUVs surge

The number of new vehicles sold in Alberta continues to increase, led by truck/SUV sales. In July, there were 26,695 new vehicles sold in Alberta, a 16.7% year-over-year increase, which was the largest gain since April 2013. Almost all of the

Chart 1: Inflation picks up in 2014

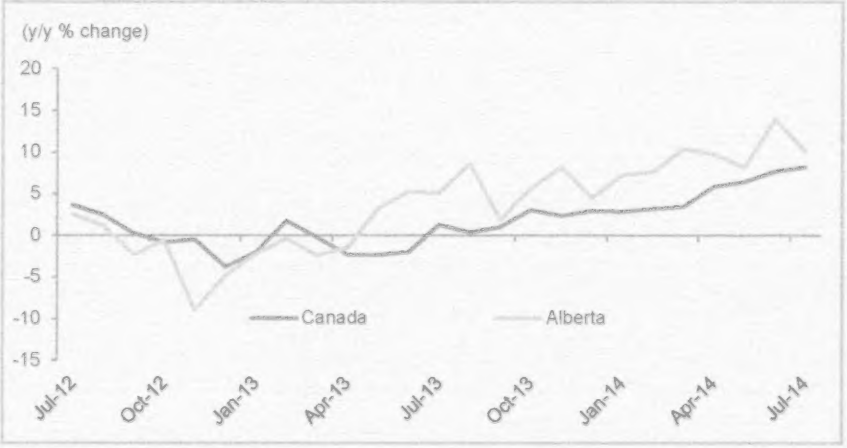
Alberta Consumer Price Index



Source: Statistics Canada

Chart 2: Manufacturing sales continue to move higher

Manufacturing Sales (year-over-year change)



Source: Statistics Canada

growth stemmed truck/SUV sales, which jumped 22.6% y/y, as passenger cars sales were relatively flat.

Job vacancies

Opportunities knock

The average number of job vacancies in Alberta was 49,800 for the 3 months ending in June, up 3.7% y/y. Vacancies have increased in every month since January. The job vacancy rate, which measures the proportion of unfilled positions in the labour market, was unchanged from a year prior at 2.5%. This remains the highest rate across the provinces. The accommodation and food services industry had the highest rate at 7.8%.

Chart 3: Job vacancies continue to grow
Alberta job vacancies and vacancy rate

Source: Statistics Canada

Chart 4: Resale market records higher sales, listings and prices
Alberta resale home market indicators

Source: CREA

The number of Canadian job vacancies increased 6.8% y/y and the job vacancy rate moved slightly higher to 1.6%. Alberta continues to have over 20% of the job vacancies in Canada.

Resale Housing

Strong activity in August

August resale activity was strong in Alberta, with sales and new listings up 7.1% and 10.1% y/y respectively. This puts the sales-to-new listings ratio at 0.65, a level that is firmly in sellers' territory and has held fairly constant throughout the year. Edmonton's sales-to-new listings ratio moved up to 0.67 from 0.62 in July, just behind Calgary at 0.69. The average resale price in Alberta was up 3.7% y/y in August, with Calgary up 5.2% and Edmonton up 3.9%. Nationally, the sales-to-new listing ratio held steady at 0.52, firmly in balanced market territory, with sales and listings advancing. The average home price was up 5.1% y/y.

Monetary Policy

Fed maintains policy stance

The US Federal Reserve, as expected by markets, reduced their asset purchases and signaled that the program should end by their next meeting in October, provided that labour markets and inflation show discernible improvement. The Fed expressed concern that labour markets are still relatively weak and that inflation has been below their expectations. The Fed kept the fed funds rate in the 0% to 0.25% range.

Bank of Canada Governor Stephen Poloz used his speech on Tuesday to reinforce the Bank's primary focus on inflation and interest rates, and that the value of the Canadian dollar would be solely determined by market forces.

Contact

Mark Walker 780.415.0825

Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.